

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 TRSE-00 XMB-02 OPIC-03 SP-02
LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 USIE-00
NSCE-00 SSO-00 INRE-00 L-03 IGA-02 /080 W
-----115764 221319Z /50

O 221212Z FEB 78
FM AMEMBASSY LISBON
TO SECSTATE WASHDC IMMEDIATE 4810

LIMITED OFFICIAL USE SECTION 1 OF 2 LISBON 1323

DEPT PASS TREASURY FOR SYVRUD

E.O. 11652: N/A
TAGS: EFIN ECON EAID PO
SUBJECT: FY 78 BALANCE OF PAYMENTS LOAN

REF: 77 STATE 281977

BEGIN SUMMARY: U.S. AND PORTUGUESE DELEGATIONS MET FEBRUARY 21 TO DISCUSS REF LOAN. PORTUGUESE RAISED NO SUBSTANTIVE PROBLEMS WITH DRAFT AGREEMENT. BOTH SIDES AGREED TO ATTEMPT TO SIGN FORMAL AGREEMENT ON WEDNESDAY, MARCH 1. END SUMMARY.

1. CHARGE, ECON COUNS AND AID REP MET IN FORMAL SESSION FEB 21 WITH PORTUGUESE DELEGATION HEADED BY BANK OF PORTUGAL GOVERNOR SILVA LOPES TO DISCUSS USG \$300 MILLION LOAN. AFTER MY INITIAL REMARKS HIGHLIGHTING MAJOR POINTS OF THE PROPOSED AGREEMENT, I ASKED FOR SILVA LOPES' OBSERVATIONS ON THE DRAFT TEXT. SILVA LOPES STATED THAT HE HAD NO SUBSTANTIVE PROBLEMS WITH THE TEXT, BUT WISHED TO REQUEST THE FOLLOWING MINOR MODIFICATIONS:

A. IN ARTICLE I, LINE 3, INSERT THE PHRASE "AN AMOUNT" BETWEEN THE WORDS "AGREEMENT" AND "NOT" IN FIRST SENTENCE.

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ARTICLE I WOULD THEN READ "...TO LEND TO THE BORROWER UNDER THE TERMS OF THIS AGREEMENT AN AMOUNT NOT TO EXCEED..." GOP REQUESTS INSERTION OF THE PHRASE "AN AMOUNT" SIMPLY TO MAKE THE TEXT PARALLEL THE PHRASEOLOGY USED IN PREVIOUS AID LOANS TO PORTUGAL. EMBASSY RECOMMENDS ACCEPTANCE OF THIS SUGGESTED CHANGE.

B. IN ARTICLE III, SECTION 3.1, SUBSECTION B, CHANGE "NAME" TO "NAMES" AND "PERSON" TO "PERSONS." SUBSECTION B WOULD THEN READ: "A STATEMENT OF THE NAMES OF THE PERSONS HOLDING...." THIS CHANGE REQUESTED BECAUSE TWO BANK OF PORTUGAL OFFICIALS MUST SIGN ALL OFFICIAL DOCUMENTS RELATING TO THE LOAN. EMBASSY RECOMMENDS ACCEPTANCE OF THIS CHANGE.

C. IN ARTICLE III, SECTION 3.2, LAST LINE, CHANGE THE WORD "AGREEMENT" TO "ARRANGEMENT." GOP PROPOSES THIS CHANGE BECAUSE IT UNDERSTANDS THAT LEGAL DESIGNATION OF ITS INTENDED ACCORD WITH IMF FOR SECOND TRANCHE STANDBY IS AN "ARRANGEMENT" RATHER THAN AN "AGREEMENT." EMBASSY RECOMMENDS APPROVAL OF THIS SUGGESTION, UNLESS SOME LEGAL CONSIDERATION MAKES IT INADVISABLE.

D. IN ARTICLE VI, SECTION 6.1, CHANGE THE FIRST SENTENCE TO READ: "THE BORROWER UNDERTAKES TO PROVIDE TO AID THE SAME INFORMATION CONCERNING THE BALANCE OF PAYMENTS AND OTHER ECONOMIC AND FINANCIAL DATA THAT IT PROVIDES TO THE IMF IN ORDER TO ASSESS PORTUGAL'S PROGRESS UNDER THE IMF STANDBY AGREEMENT." THIS MODIFICATION WOULD MAKE THE PROVISION OF DATA AN AUTOMATIC PROCESS AND, SECONDARILY, WOULD CHANGE THE WORD "AGREEMENT" TO "ARRANGEMENT." PORTUGUESE DELEGATION REQUESTS THIS CHANGE ON THE GROUNDS THAT GOP WOULD THEN MORE EASILY LIMITED OFFICIAL USE

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BE ABLE TO FURNISH DATA ON A REGULAR SCHEDULE SIMPLY BY PROVIDING ALL INFORMATION IT WILL PROVIDE TO THE IMF ON A QUARTERLY BASIS. EMBASSY SUSPECTS THAT THIS CHANGE WILL ALSO MAKE THE AGREEMENT MORE POLITICALLY ACCEPTABLE BECAUSE IT AVOIDS GIVING THE IMPRESSION THAT GOP WILL BE PROVIDING USG UNUSUAL INFORMATION AND COURTESIES. EMBASSY RECOMMENDS ACCEPTANCE OF THIS CHANGE, BELIEVING THAT IT WOULD:

- (1) ENABLE US TO RECEIVE MORE COMPREHENSIVE AND TIMELY DATA THAN WOULD OTHERWISE LIKELY BE THE CASE;
- (2) FACILITATE GOP TASK IN PROVIDING THE DATA; AND
- (3) REDUCE THE NUMBER OF SPECIAL BILATERAL REQUESTS WE WOULD HAVE TO MAKE TO THE BANK OF PORTUGAL. WE BELIEVE, NEVERTHELESS, THAT WE WILL STILL BE ABLE TO REQUEST ADDITIONAL CLARIFYING INFORMATION THAT MAY BE DEEMED NECESSARY.

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LAB-04 SIL-01 OMB-01 SS-15 STR-07 CEA-01 USIE-00

NSCE-00 SSO-00 INRE-00 L-03 IGA-02 /080 W

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2. IN ADDITION TO REQUESTING THE ABOVE MINOR MODIFICATIONS
IN THE TEXT, SILVA LOPES RAISED THE FOLLOWING QUESTIONS:

A. IN ARTICLE III, SECTION 3.3, WAS IT NECESSARY TO
USE THE WORD "DETERMINED". PORTUGUESE DELEGATION APPARENTLY
FEARED THAT USE OF THAT WORD IMPLIED THAT USG INTENDED
TO REVIEW THE SUBSTANCE OF GOP'S ANTICIPATED AGREEMENT
WITH THE IMF. WE ASSURED THE PORTUGUESE THAT USG HAD
NO INTENTION OF CONDUCTING SUCH A REVIEW. RATHER, WE
NOTED, USE OF THE WORD "DETERMINED" MEANT SIMPLY THAT
USG WOULD DECIDE WHETHER OR NOT THE CONDITIONS PRECEDENT
UNDER ARTICLE III, SECTIONS 3.1 AND 3.2, HAD BEEN
ADEQUATELY SATISFIED. PORTUGUESE ACCEPTED THIS EXPLANA-
TION AND DID NOT PRESS FOR A CHANGE IN SECTION 3.3.

B. IN ARTICLE IV, SECTION 4.1, PORTUGUESE NOTED
NO TIME FRAME WAS SPECIFICALLY STATED FOR DRAWDOWN OF THE
\$200 MILLION TRANCHE. WE ASSURED THEM THAT THE FUNDS WOULD BE
AVAILABLE AS SOON AS USG HAD DETERMINED THAT CONDITIONS
PRECEDENT HAD BEEN SATISFIED. PORTUGUESE INDICATED
THAT THEY WOULD SUBMIT A LETTER, TOGETHER WITH DOCUMENTS

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REQUIRED SECTION 3.1, A AND B, REQUESTING THAT THE FIRST TRANCHE
BE DISBURSED IMMEDIATELY UPON USG DETERMINATION THAT

CONDITIONS PRECEDENT HAD BEEN SATISFIED.

C. PORTUGUESE INQUIRED WHETHER WE WISHED ANY PUBLICITY ON OUR NEGOTIATING SESSION. WE REPLIED THAT WE WERE WILLING TO LEAVE THIS QUESTION TO THEM. AFTER A BRIEF DISCUSSION, IT WAS DETERMINED THAT NO PUBLICITY SHOULD BE SOUGHT UNTIL THE FORMAL SIGNATURE OF THE LOAN AGREEMENT. SUGGESTED PRESS RELEASE FOLLOWS SEPTEL.

3. PORTUGUESE DELEGATION EMPHASIZED ITS DESIRE TO PROCEED WITH FORMAL SIGNATURE OF THE LOAN ASAP. BANK OF PORTUGAL WILL PROVIDE EMBASSY PORTUGUESE TEXT OF THE LOAN AGREEMENT BY LATE WEDNESDAY, FEBRUARY 22. IF ALL DETAILS CAN BE CONCLUDED IN TIME, FORMAL SIGNATURE WILL OCCUR ON WEDNESDAY, MARCH 1.

4. ACTION REQUESTED: THAT WASHINGTON:

- A. AUTHORIZE CHANGES REQUESTED IN PARA 1 ABOVE.
- B. CONFIRM INTERPRETATIONS PROVIDED TO PORTUGUESE IN PARA 2 ABOVE.
- C. AUTHORIZE US TO PROCEED WITH FORMAL SIGNATURE OF LOAN ON MARCH 1.

D. PROVIDE INTEREST RATE TO BE INSERTED IN ARTICLE II,
SECTION 2.1.

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Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LOANS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Draft Date: 22 feb 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LISBON01323
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780079-1185
Format: TEL
From: LISBON
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780229/aaaaaybg.tel
Line Count: 198
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Litigation Codes:
Litigation History:
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Message ID: f9242bd2-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
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Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
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Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 may 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3524002
Secure: OPEN
Status: NATIVE
Subject: FY 78 BALANCE OF PAYMENTS LOAN
TAGS: EFIN, ECON, EAID, PO
To: STATE
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/f9242bd2-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
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